



# *COMMONWEALTH of VIRGINIA*

## *Office of the Lieutenant Governor*

William T. Bolling  
Lieutenant Governor

(804) 786-2078  
Fax: (804) 786-7514  
TTY/TDD: 1-800-828-1120  
EMAIL: [ltgov@ltgov.virginia.gov](mailto:ltgov@ltgov.virginia.gov)

January 31, 2013

The Honorable Walter A. Stosch  
Virginia Senate  
General Assembly Building, Room 626  
Richmond, VA 23219

The Honorable Thomas K. Norment, Jr.  
Virginia Senate  
General Assembly Building, Room 621  
Richmond, VA 23219

The Honorable Richard L. Saslaw  
Virginia Senate  
General Assembly Building, Room 613  
Richmond, VA 23219

The Honorable William J. Howell  
Virginia House of Delegates  
General Assembly Building, Room 635  
Richmond, VA 23219

The Honorable Lacey E. Putney  
Virginia House of Delegates  
General Assembly Building, Room 947  
Richmond, VA 23219

The Honorable Harry R. Purkey  
Virginia House of Delegates  
General Assembly Building, Room 415  
Richmond, VA 23219

The Honorable David J. Toscano  
Virginia House of Delegates  
General Assembly Building, Room 415  
Richmond, VA 23219

Dear Senators and Delegates:

One of the most important issues the General Assembly will consider this year is the proposed expansion of Virginia's Medicaid program under the terms and conditions set forth in the Affordable Care Act (ACA). I am writing to provide you with my thoughts on this important issue.

Let me begin by observing that the most significant accomplishment of my legislative career came in 2000 when I sponsored legislation that created a children's health insurance program in Virginia. The Families Access to Medical Insurance Security (FAMIS) program has subsequently been supported and improved by four

administrations, two from each party, and now provides basic health care coverage to over 115,000 children in our state.

As I reflect on the current debate over whether or not to pursue Medicaid reform and expansion I see many parallels between this decision and our work on children's health insurance. For example:

- Then, as now, there was an enhanced federal match for states as an incentive to adopt the coverage expansion (though the incentive today is much more substantial).
- The population eligible for the coverage expansion was well suited to the care management systems we already had in place, with the additional federal support providing savings that were helpful in making these care management systems even better for ensuring quality care and controlling costs.
- The expansion population came primarily from working families and had average health care costs that could be reasonably estimated and controlled through appropriate care management.

When we made the decision to move forward with the FAMIS program we did so confident that there was a business case for successful expansion, that we had the appropriate care management systems in place to effectively implement the program, and that we had obtained needed flexibility to run the program prudently. These should remain our standards and expectations.

When the Affordable Care Act was first approved it required states to expand their Medicaid program. However, when the United State Supreme Court reviewed the ACA they ruled that the federal government could not require states to expand their Medicaid program and such expansion is therefore optional.

Following the Supreme Court's ruling I stated that I would not support moving forward with an expansion of Virginia's Medicaid program until two conditions were met. First, we had to make certain that Virginia could afford its share of the costs of the proposed expansion and second, we needed to achieve fundamental reforms in the way Medicaid operates to make the program more effective and efficient. That remains my position.

However, in recent months we have developed a more complete picture of the overall business case for Medicaid reform and expansion, and I believe the mounting evidence supports moving forward with expansion, subject to our ability to obtain acceptable waivers from the federal government to implement critical Medicaid reforms.

For example, we have now determined that there will be a net general fund savings of more than \$300 million from 2014 to 2018 if we expand coverage, and further savings can be achieved by negotiating waivers from the federal government that give us the ability to further refine our Medicaid program.

In addition, the ten-year costs of the program are now estimated to be dramatically less than we believed them to be a year ago. While these costs were initially estimated at more than \$2 billion, they are now estimated at \$137 million, a much more affordable number. (While the cost of Medicaid expansion in the out years still concerns me, I am confident that these costs can be mitigated if we take the savings from expansion of the program in the early years and reinvest them in effective cost control programs.)

It is also important to remember that Virginia families and businesses will be paying significantly higher taxes and fees in coming years to finance the Affordable Care Act. In fact, it has been estimated that between 2014 and 2022 Virginians will pay \$26 billion in taxes and fees as a result of the ACA. If we do not move forward with the proposed expansion of coverage Virginians will still be required to pay these taxes and fees, but they will receive no benefits from the program. That hardly seems wise or fair.

I have also become convinced that there are other tangible benefits of expanding Virginia's Medicaid program. For example, more than 300,000 Virginians who do not currently have access to health insurance would achieve access through an expansion of Medicaid, significantly reducing the total number of uninsured Virginians.

In addition, Medicaid expansion would be of tremendous benefit to health care providers in Virginia who have been absorbing the costs of uninsured care for many years. This includes several of Virginia's state supported teaching hospitals, and reducing their indigent care burden would have a direct and positive impact on the state budget.

Finally, Chmura Economics and Analytics has estimated that more than 30,000 jobs could be created as a result of the proposed coverage expansion. As the Commonwealth's Chief Jobs Creation Officer I am particularly mindful of these economic benefits.

With this more complete picture of the business case for Medicaid expansion in hand, it is my view that the right public and fiscal policy for the Commonwealth is to move forward with the proposed expansion of Medicaid, conditioned on our ability to obtain authority from the federal government to implement acceptable reforms to our Medicaid program.

I hasten to add that I see three important milestones to accomplish on our path forward:

- First, we should establish the firm principle that the Medicaid expansion will be halted if the federal government fails to live up to its financial commitments.
- Second, we should move forward with reform and expansion so we are able to tailor appropriate benefits for newly eligible recipients, something we were able to do with great success when we implemented the FAMIS program. However, expansion should not take place unless acceptable reforms are achieved.
- Third, we should rigorously evaluate the success of our reform implementation and coverage expansion to ensure we are achieving the appropriate cost savings, quality of care improvements and public health benefits.

Having spent a career working on health policy in Virginia, I am confident that there is no state better prepared to move forward on both reform and coverage expansion than the Commonwealth. Our nationally recognized success in implementing the FAMIS program, our proven leadership in our health and human resources agencies, our long record of policy innovation, our strong network of Medicaid health plans, our well-known strength in program evaluation and our well deserved laurels as the best managed state in the nation are all assets we should be mindful of as we weigh the decision on whether to move forward.

To me, the decision is straightforward. We should move forward now, just as we did 13 years ago, with the confidence that we will implement the program thoughtfully, that we will manage it prudently and that we will have a stronger and more prosperous state as a result.

Thank you for considering my thoughts on this important issue.

Very Truly Yours,



**WILLIAM T. BOLLING**  
Lieutenant Governor  
Commonwealth of Virginia

WTB/